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No. 02-428

Supreme Court, U.S.
FILED
FEB 14 2003
CLERK

In The

Supreme Court of the United States

DASTAR CORPORATION,

Petitioner,

v.

TWENTIETH CENTURY FOX FILM CORPORATION, SFM ENTERTAINMENT LLC AND NEW LINE HOME VIDEO, INC.,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

BRIEF OF AMICUS CURIAE THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF NEITHER PARTY

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38 pp

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INTRODUCTION

The International Trademark Association ("INTA"),[1] having obtained written consent of the parties pursuant to Rule 37.3 of the Rules of this Court,[2] submits this brief as amicus curiae. As to the first question presented, INTA urges the Court to hold that any claim for relief brought under Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), including a claim for reverse passing off involving credits applied to creative works, requires a finding of likely consumer confusion. INTA believes that the standard applied by the Court of Appeals below, which considers only whether there has been a "bodily appropriation" of the creative work at issue, represents a significant departure from the analysis of marketplace factors that has long governed the evaluation of likely confusion. Indeed, it is a standard borrowed from copyright law that has been inappropriately applied to claims of unfair competition, notwithstanding the distinct purposes and policies served by these separate, but not mutually exclusive, forms of intellectual property protection. As a result, INTA takes the position that the Court of Appeals' decision should be reversed and remanded for the District Court to

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[1] This brief was not authored, in whole or in part, by counsel to a party, and no monetary contribution to the preparation or submission of this brief was made by any person or entity other than INTA or its counsel. Petitioner is not a member of INTA. Corporate affiliates of respondents are regular members of INTA. One of the law firms representing petitioner, Steptoe & Johnson LLP, is an associate member of INTA, as is one of the law firms representing respondents, O'Melveney & Myers LLP. Neither petitioner, respondents nor any of these firms has participated in the decision to submit this brief, in its preparation, or in its submission.

[2] The consents have been filed with the Clerk with this brief.

consider marketplace factors in determining whether there is a likelihood of consumer confusion in this case.

As to the second question presented, INTA urges the Court to hold that enhanced monetary damages or profits awarded *solely* for purposes of deterrence are not permitted under Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), which provides that any such enhancement must "constitute compensation and not a penalty." As a result, the Court of Appeals' decision allowing enhanced damages solely for deterrent purposes should be reversed.

STATEMENT OF INTEREST OF THE AMICUS CURIAE

INTA is a not-for-profit organization whose more than 4,200 members have a special interest in trademarks. They include trademark owners, law firms, advertising agencies, package design firms and professional associations from the United States and 160 other countries. All share the goals of emphasizing the importance of trademarks and trademark protection, and of promoting an understanding of the essential role trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition. INTA members frequently are participants in trademark litigation, and therefore are interested in the development of clear and consistent principles of trademark and unfair competition law. INTA has substantial expertise in trademark law and has

participated as an amicus curiae in cases involving significant trademark issues.[3]

INTA was founded in 1878 as the United States Trademark Association, in part to encourage the enactment of federal trademark legislation after the invalidation of this country's first trademark act on constitutional grounds. Since that time, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with federal trademark legislation, including the Trademark Law Revision Act of 1988 ("TLRA"). *See* 134 Cong. Rec. S16974 (daily ed. Oct. 20, 1988) (statement of Sen. DeConcini). One significant revision included in the TLRA was the amendment of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), to acknowledge the evolution of the Section since 1946 "into a Federal law of unfair competition," 135 Cong. Rec. H10422 (daily ed. Oct. 19, 1989) (statement of Rep. Moorhead).

INTA has a particular interest in this case for three reasons. First, it wishes to reaffirm that a finding of likely consumer confusion, derived from consideration of appropriate marketplace factors, such as those that courts have

[3] Cases in which INTA has filed amicus briefs include: *Mosely v. V Secret Catalogue, Inc.*, No. 01-1015; *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 119 S. Ct. 2219 (1999); *Dickinson v. Zurko*, 119 S. Ct. 1816 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *WarnerVision Entertainment Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); and *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994).

consistently applied in decades of Lanham Act jurisprudence, is a prerequisite for liability under Section 43(a)(1)(A).

Second, INTA wishes to highlight for the Court the sharp distinctions between the principles of copyright and unfair competition law that are blurred by both the decision below and the arguments advanced in the petition. Just as the Court of Appeals erred by concluding that the "bodily appropriation" test it transplanted from copyright law ends the likelihood of confusion inquiry, petitioner is likewise incorrect when it contends that the end of copyright protection for a creative work, and the work's consequent passage into the public domain, immunizes any copyist from potential liability under the Lanham Act. Copyright infringement and unfair competition are separate claims meant to address distinct injuries, and they are appropriately measured by different standards.

Third, there is a split in the Circuits on the issue of whether an award of enhanced damages or profits solely for purposes of deterrence is permissible under Section 35 of the Lanham Act. INTA requests that the Court resolve this split by interpreting Section 35 according to its express terms to require that enhanced damages be awarded for purposes of compensation.

SUMMARY OF THE ARGUMENT

In order for there to be liability under Section 43(a)(1)(A) of the Lanham Act, a plaintiff must prove it owns a trademark or a designation equivalent to a trademark, and that an appreciable number of ordinarily prudent consumers are likely to be confused by the

defendant's conduct. Proof of likely confusion is a bedrock requirement of unfair competition law that is reflected in the express terms of the statute and enunciated in hundreds of judicial opinions dating back more than a century. Equally well settled are the methods by which the issue of likely consumer confusion is evaluated, with their focus on marketplace factors such as the extent to which consumers associate goods sold under the plaintiff's designation with a single source, the degree of similarity between the designations at issue and the competitive proximity of the respective products.

In the decision below, the Court of Appeals applied a test of "bodily appropriation" that it created more than two decades ago to assess liability for reverse passing off in cases involving credits applied to creative works. While the "bodily appropriation" test has been described by the Ninth Circuit in other decisions as a method for evaluating likely confusion in these types of cases, it does not actually do so. "Bodily appropriation" could be an appropriate factor to consider in evaluating likelihood of confusion, but the one-factor test applied by the Ninth Circuit disregards the traditional market signposts of consumer confusion in favor of a comparison of the creative works at issue. This approach finds no support in either the text of Section 43(a)(1)(A) or the established body of law construing that statutory provision.

Indeed, the "bodily appropriation" test, and other tests like that of "substantial similarity" applied by the Second Circuit in similar cases, represent an effort to evaluate liability for unfair competition using standards typically applied in cases of copyright infringement. This approach ignores the different purposes of copyright and unfair competition law, and the different wrongs each aims to

remedy. Application of a separate test of "bodily appropriation" to a limited category of unfair competition cases without consideration of other factors threatens the consistent application of likelihood-of-confusion principles that have been used for decades in cases arising under Section 43(a)(1)(A).

As a result, the Court should reject the "bodily appropriation" test in this context and hold that liability for reverse passing off involving credits applied to creative works requires proof of likelihood of confusion, with reference to relevant marketplace factors such as those that govern other claims for relief under Section 43(a)(1)(A). As respondents appear to have ample reason to believe that the conduct of which they complain is likely to cause confusion among consumers, they should be given the opportunity to prove it on remand. At the same time, the Court should also reject the contention advanced by petitioner that claims for unfair competition involving creative works are somehow beyond the reach of the Lanham Act, or constitutionally suspect.

In advancing this argument, petitioner, much like the Court of Appeals, fails to appreciate that copyright and unfair competition law have very different purposes and apply different standards, even though a creative work is capable of being protected under both. For this reason, the passage of a creative work into the public domain does not preclude application of Section 43(a)(1)(A) or any other provision of the Lanham Act aimed at preventing consumer deception. The Constitution likewise provides no safe harbor for the false or misleading marketing of any goods or services, including creative works, whether or not in the public domain.

With respect to the issue of whether an award of enhanced damages or profits is permissible under Section 35 of the Lanham Act *solely* for purposes of deterrence, the terms of the statute suggest otherwise. The remedy of enhanced damages was incorporated into Section 35 to account for the difficulties a Lanham Act plaintiff typically encounters in establishing the precise amount of its actual monetary losses or the defendant's profits. By sanctioning an enhancement of the quantifiable amount of damages or profits, the statute affords courts the flexibility to fashion appropriate relief where a precise calculation of the actual amount of monetary loss or gain is difficult or not possible. In all cases, however, an enhancement must be intended to compensate the plaintiff for past harm suffered. An award of enhanced damages or profits made *purely* for deterrent purposes by definition serves no compensatory end. While a compensatory award that also has an incidental deterrent effect is plainly permissible, an enhancement made solely for deterrence purposes is not.

ARGUMENT

I. Any Claim Brought Under Section 43(a)(1)(A) of the Lanham Act Requires Proof of Likelihood of Confusion

Section 43(a)(1)(A) of the Lanham Act prohibits the use in commerce by any person of

> any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –

> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person. . . .

The text of the statute makes clear that a showing of likely confusion, mistake or deception is a prerequisite for liability, and this Court has so construed it. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) ("It is, of course, also undisputed that liability under § 43(a) requires proof of the likelihood of confusion.").

The current version of Section 43(a) was enacted as part of the Trademark Law Revision Act of 1988, Pub. L. 100-667, 102 Stat. 3935 (effective Nov. 16, 1989), a sweeping revision of the Lanham Act. In its original incarnation, Section 43(a) appeared to deal only with false descriptions or representations and false designations of geographic origin. Senate Judiciary Committee Report on S. 1883, S. Rep. No. 100-515, 40 (Sept. 15, 1988). However, in the years following enactment of the Lanham Act in 1946, Section 43(a) was "widely interpreted as creating, in essence, a federal law of unfair competition." *Id. See also Two Pesos*, 505 U.S. at 779-80 (Stevens, J., concurring) (noting how the reach of former Section 43(a) was expanded by courts to embrace claims beyond those specified in the statutory text, and acknowledging that such expansion was consistent with the statutory purpose). The present version of Section 43(a) was enacted to "codify the interpretation it has been given by the courts," *id.*, as subsequent cases have confirmed. *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1038 n.1 (2d Cir. 1992).

Today, Section 43(a)(1)(A) is broadly construed to apply to a range of claims, including, *inter alia*, infringement of an unregistered trademark, *MicroStrategy, Inc. v. Motorola, Inc.*, 245 F.3d 335, 341 (4th Cir. 2001), infringement of unregistered trade dress, *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209 (2000), and infringement of an unregistered trade name. *Platinum Home Mortgage Corp. v. Platinum Fin. Grp., Inc.*, 149 F.3d 722, 726 n.1 (7th Cir. 1998). The statute has also been applied to prohibit conduct known as reverse passing off,[4] in which a party markets the goods of a rival by deleting the rival's trademark and either replacing the rival's mark with its own mark or selling the product in an unbranded state.[5] Claims for reverse passing off brought under Section 43(a) predated passage of the TLRA, *Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1216 (8th Cir. 1976),[6] and reverse passing off continues to

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[4] Reverse passing off, in which a party markets the goods of a rival as the party's own, *Lipscher v. LRP Pubs., Inc.*, 266 F.3d 1305, 1312 (11th Cir. 2001), is distinguishable from passing off, in which a party markets its own goods as if they were those of a rival, or associated with a rival. *Two Pesos*, 505 U.S. at 779 n.5 (Stevens, J., concurring).

[5] The replacement of a rival's mark with a party's own mark on the rival's goods has been labeled "express reverse passing off," *Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc.*, 7 F.3d 1434, 1437 (9th Cir. 1993), while the selling of a rival's goods in an unbranded state has been dubbed "implied reverse passing off." *Scheduled Airlines Traffic Offices, Inc. v. Objective, Inc.*, 180 F.3d 583, 591 n.4 (4th Cir. 1999).

[6] Indeed, conduct now described as reverse passing off was also actionable at common law before passage of the Lanham Act. *See Int'l News Service v. Associated Press*, 248 U.S. 215, 231-32 (1918) (affirming injunction barring news service's competitor from reproducing portions

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be recognized as a proper claim for relief under the Lanham Act, *e.g., Kasco Corp. v. General Svcs., Inc.*, 905 F. Supp. 29, 33-35 (D. Mass. 1995); *see generally* Restatement (Third) of Unfair Competition ("Restatement"), § 5 (1995). As noted in the Restatement, the type of consumer confusion at issue in a claim for reverse passing off concerns the source of the misbranded or unbranded products, not confusion between the products themselves. *Id.*, § 5, cmt. a.

Notwithstanding the breadth of Section 43(a)(1)(A), however, the ultimate test of liability under the statute is always the same. "Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical – is there a 'likelihood of confusion.'" *New West Corp. v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1201 (9th Cir. 1979). The likelihood-of-confusion test has been established for over a century as the standard under which liability for unfair competition is assessed in most federal cases, *McLean v. Fleming*, 96 U.S. 245, 251 (1877), *superseded by statute, as stated in Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 171 (1995); Restatement, § 20.[7]

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of news service's uncopyrighted articles, without giving credit to news service, in common law action for unfair competition); *Fed. Elec. Co. v. Flexlume Corp.*, 33 F.2d 412, 414-15 (7th Cir. 1929) (defendant was properly enjoined from obliterating plaintiff's trademark on outdoor signs and replacing the mark with that of defendant, in suit for common law unfair competition).

[7] Liability for unfair competition under the laws of most states also requires proof of likely confusion. *See, e.g., Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831, 833 (6th Cir. 1983) (equating standards for liability under § 43(a) and Michigan common law); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1141

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There are some exceptions to the requirement of likely confusion in cases of unfair competition arising under Lanham Act provisions other than Section 43(a)(1)(A). For example, Section 43(a)(1)(B) of the statute, which applies to false advertising, contains no express requirement of proving likely confusion and simply prohibits the use of any "false designation of origin, false or misleading description of fact, or false or misleading representation of fact" that "misrepresents the nature, characteristics, qualities, or geographic origin" of particular goods or services in "commercial advertising or promotion." 15 U.S.C. § 1125(a)(1)(B).

In construing Section 43(a)(1)(B), courts properly have held that it prohibits advertising that is literally false without any showing that consumers are likely to be confused or misled. *Rhone-Poulenc Rorer Pharm., Inc. v. Marion Merrell Dow, Inc.*, 93 F.3d 511, 516 (8th Cir. 1996). At the same time, courts have also recognized that advertising that is literally true can be deceptive under the statute. *American Home Prods. Corp. v. Johnson & Johnson*, 577 F.2d 160, 165 (2d Cir. 1978). Section 43(a)(1)(B) therefore has also been interpreted to reach advertising that is false by implication, but only upon a showing of likely consumer confusion. *Clorox Co. Puerto Rico v. Procter & Gamble Commercial Co.*, 228 F.3d 24, 33 (1st Cir. 2000); *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 943 (3d Cir. 1993).[8]

(3d Cir. 1986) (unfair competition law of New Jersey was not significantly different from § 43(a)).

[8] At least one commentator has argued that claims for reverse passing off are better viewed as a type of false advertising within the

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However, in all cases brought under Section 43(a)(1)(A) of the Lanham Act, a plaintiff must prove a likelihood that "an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question." *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978).[9]

Whether or not such confusion is likely to occur is typically determined by an analysis of marketplace factors designed to illuminate the context in which particular designations are used and the manner in which consumers react to them. Restatement, § 21; *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979); *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). Although different Circuits have formulated different tests for assessing the presence or absence of likely

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scope of § 43(a)(1)(B), rather than the sort of unfair competition prohibited by § 43(a)(1)(A). Lori H. Freedman, *Reverse Passing Off: A Great Deal of Confusion*, 83 Trademark Rep. 305 (1993). Similarly, the Ninth Circuit in *Lamothe v. Atlantic Recording Corp.*, 847 F.2d 1403, 1406 (9th Cir. 1988), considered whether the same conduct could give rise to claims for both reverse passing off and false advertising, but it never reached the second potential cause of action. Given the breadth of conduct actionable as false advertising under § 43(a)(1)(B), *see* 5 J.T. McCarthy, *McCarthy on Trademarks and Unfair Competition* ("*McCarthy*") § 27:63 (2002) (collecting examples of claims brought under false advertising prong of § 43(a)), the act of marketing a rival's product as one's own – the essence of a claim for reverse passing off – would seem to fall squarely within the Lanham Act's prohibitions on false advertising.

[9] A plaintiff asserting a claim under § 43(a)(1)(A) also typically must establish ownership of a trademark, the functional equivalent of a trademark, *Two Pesos*, 505 U.S. at 768, or some other interest protected by the statute.

confusion, *id.*, all strive to evaluate the issue of confusion based on what occurs in the marketplace. Further, all recognize that not every factor generally considered in making an assessment of likely confusion is relevant in every case, and that additional variables may come into play depending on the particular facts presented. Restatement, § 21, cmt. a; *AMF*, 599 F.2d at 348 n.11.

At the same time, there is general agreement that the inquiry into likely confusion cannot be confined to a mere comparison of the designations at issue:

> Liability for trademark infringement ultimately depends upon proof of a likelihood of confusion and not on proof of any particular degree of similarity between the designations. Although the marks must be sufficiently similar to create the potential for confusion, whether the similarity is sufficient to subject the subsequent user to liability depends on the market context in which the marks are used, including the relationship between the respective goods or services, the distinctiveness of the prior user's trademarks, the manner in which the goods or services are sold, and the care likely to be exercised by prospective purchasers.

Restatement, § 21, cmt. d. While visual comparisons of the particular designations at issue in a given case are often appropriate, they generally are not dispositive. Indeed, in the relatively few reported decisions where a district court's finding of likely confusion was premised solely on a visual comparison of the particular designations at issue, appellate courts have not hesitated to reiterate that it is the reality of the marketplace that determines the issue. *Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc.*, 815 F.2d 500, 504 (8th Cir. 1987) ("A realistic evaluation of

consumer confusion must attempt to recreate the conditions in which buying decisions are made, and the court should try to determine not what it would do, but what a reasonable purchaser in market conditions would do.").

Notwithstanding the near unanimous recognition of the principle that liability under Section 43(a)(1)(A) must be premised on a showing of likely consumer confusion established through analysis of various marketplace factors, the decision of the Court of Appeals below makes no mention of any of these factors. For this reason, it is at odds with the express terms of § 43(a)(1)(A) and the longstanding principles it embodies.

II. The Ninth Circuit's Test of "Bodily Appropriation" Is Not a Measure of Likely Consumer Confusion and Is Therefore Contrary to Section 43(a)(1)(A)

The decision below is one of a series of Ninth Circuit cases arising over the last two decades in which claims for reverse passing off under Section 43(a)(1)(A) have been premised on a defendant's failure to credit properly a plaintiff's contribution to a creative work. In that Circuit, liability in such cases generally depends on whether there has been a "bodily appropriation" by the defendant of the plaintiff's work, combined with some defect in specifying plaintiff's contribution to it, whether affirmatively or by omission. The decision below relied on *Cleary v. News Corp.*, 30 F.3d 1255, 1261 (9th Cir. 1994), as support for the application of this standard.

Cleary, in turn, traced its reliance on a test of "bodily appropriation" to *Shaw v. Lindheim*, 919 F.2d 1353, 1364 (9th Cir. 1990), another case of omitted writing credit and

the first decision to describe the relevant test by actually using the words "bodily appropriation,"[10] and *Summit*, 7 F.3d at 1437, where the defendant had acquired and was selling an industrial lathe that owed its basic design to the plaintiff. In both of these decisions, the Ninth Circuit purported to find sufficient differences in the two works being compared to hold that the copying did not rise to the level of "bodily appropriation," and hence would not cause consumer confusion.

Petitioner argues that the Ninth Circuit has measured liability in these types of cases by using a standard that requires no proof of likely confusion. This is an overstatement. Rather, the cases acknowledge that proof of likely consumer confusion is still required for a claim for reverse passing off involving the application of improper credits to creative works, *Shaw*, 919 F.2d at 1364; *Summit*, 7 F.3d at 1437, but that consumer confusion is presumed where there has been a "bodily appropriation." *Cleary*, 30 F.3d at 1261.[11] Notwithstanding, the Ninth Circuit has

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[10] The earliest Ninth Circuit decision in this line of cases was *Smith v. Montoro*, 648 F.2d 602, 605 (9th Cir. 1981), where the court found a § 43(a) violation for reverse passing off based on the removal of an actor's name from the credits of a motion picture and the substitution of another actor's name in its place. This decision makes no reference to "bodily appropriation" or likely consumer confusion, and its holding rests primarily on a policy argument that the name switch amounted to a form of misappropriation that deprived the aggrieved actor of the benefit a credit for his role might have garnered.

[11] The decision below says this more forthrightly than any other in the Ninth Circuit, when it holds that "the 'bodily appropriation' test subsumes the 'less demanding consumer confusion standard.'" Petition at 4a (quoting *Cleary*, 30 F.3d at 1261-62). Of course, if "bodily appropriation" were truly a more demanding test than that of likely confusion, it would be possible for a plaintiff to establish a likelihood of

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never explained why it believes the mere replication of a product, literary or industrial, will likely produce consumer confusion irrespective of the commercial context that is so important to deciding the issue in all types of claims arising under Section 43(a)(1)(A) except those for reverse passing off.

In *Cleary*, the Ninth Circuit stated that its "bodily appropriation" test was more demanding than that applied in the Second Circuit in cases of reverse passing off involving the application of improper credits to creative works. *Id.*, 30 F.3d at 1262. This assertion is likely correct, because the Second Circuit is willing to infer likely consumer confusion if the defendant's work is merely "substantially similar" to the original. *Waldman Publishing Corp. v. Landoll, Inc.*, 43 F.3d 775, 782 (2d. Cir. 1994).

But this begs the question: is either test an acceptable substitute for testing consumer confusion by considering appropriate marketplace factors? The Second Circuit has used the framework articulated in its *Polaroid* decision, *supra*, for more than forty years to assess the issue of likely consumer confusion, *id.*, 287 F.2d at 495, and it provides a stable, readily comprehensible standard that has been flexibly and sensibly applied. Similarly, the Ninth Circuit typically evaluates the issue by relying on the factors identified in the *AMF* decision, *supra*, 599 F.2d

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confusion under § 43(a)(1)(A) in a case of reverse passing off involving the application of improper credits to creative works, but still be denied relief in the absence of a "bodily appropriation." This would plainly be at odds with the statute, since § 43(a)(1)(A) prohibits any false designations of origin that are likely to cause consumer confusion, "bodily appropriation" or not.

at 348-49. Yet, neither Circuit applies these long established tests, in whole or in part, to claims for reverse passing off premised on the improper attribution of creative works. In contrast, other Circuits evaluate such cases by using the likelihood-of-confusion factors they apply to other Section 43(a)(1)(A) claims. *See Lipscher*, 266 F.3d at 1313-14; *Murray Hill Pubs., Inc. v. ABC Comms., Inc.*, 264 F.3d 622, 634-35 (6th Cir. 2001); *Batiste v. Island Records, Inc.*, 179 F.3d 217, 224-25 (5th Cir. 1999). And, of course, there may be additional marketplace factors yet to be developed that are appropriate for measuring confusion in reverse passing off cases involving creative works.

The foregoing decisions from the Fifth, Sixth and Eleventh Circuit Courts of Appeal represent a better approach to cases of reverse passing off involving the alleged misattribution of creative works. These cases make clear that the wrong prohibited by Section 43(a)(1)(A) is likely consumer confusion; they assess liability using tests that are consistent with those applied to other types of claims brought under the statute. *Id.* In this case, there is at least a reasonable basis for respondents to believe that petitioner's actions are likely to confuse consumers. Therefore, liability should be determined through analysis of appropriate marketplace factors, consistent with the text of Section 43(a)(1)(A) and the many cases construing it.

III. Both the Ninth Circuit and Petitioner Misunderstand the Purposes and Application of Copyright and Unfair Competition Law

The reasons why the Ninth and Second Circuits have deviated from the text of and the jurisprudence interpreting Section 43(a)(1)(A) are unclear, but the source of their

detour is not. Both Courts of Appeal have stated forthrightly that their tests of "bodily appropriation" and "substantial similarity" are taken from principles of copyright law, where liability for copyright infringement is often determined by inquiry into whether the protectable aspects of two works are substantially similar. *Cleary*, 30 F.3d at 1364; *Attia v. Society of The New York Hospital*, 201 F.3d 50, 59-60 (2d Cir. 1999). In rejecting a plaintiff's claim for reverse passing off involving the alleged misattribution of architectural drawings, the *Attia* court premised its ruling on the fact that:

> Plaintiff has failed to show 'substantial similarity,' as that term is understood in copyright law. Whatever similarity exists between his drawings and Defendants' realizations relates only to ideas and concepts, elements that are not protected by the copyright law. The test for reverse passing off that we followed in *Waldman* therefore compels the conclusion that Plaintiff cannot prevail on his claim under the Lanham Act.

Id.

The problem with this analysis is not that it considers the similarity between the plaintiff's original work and the defendant's allegedly misattributed creation; similarity between the parties' respective designations is a key factor that is always relevant in assessing the likelihood of consumer confusion in unfair competition cases. Restatement, § 21(a). The error lies in equating "substantial similarity" or "bodily appropriation" with a finding of liability under Section 43(a)(1)(A). Those are two factors often applied in copyright infringement cases to determine whether there has been unauthorized copying of a copyrightable work. *Sturdza v. United Arab Emirates*, 281 F.3d

1287, 1295 (D.C. Cir. 2002); *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131, 139-42 (2d Cir. 1992). However, "unlike a copyright, mere reproduction of a trademark is not an infringement." *Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 218 (D. Md. 1988).

The copyright and trademark laws protect different interests, the former granting the author of an original work the right to prevent copying of the protectable aspects of that work, and the latter the right to prevent another from engaging in conduct likely to cause consumer confusion as to source or sponsorship. *See Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924). Copyright protection has its roots in the U.S. Constitution, Art. I, sec. 8(8), and protects creative works. 17 U.S.C. § 102. Trademark rights arise from use in commerce and protect the consumer goodwill embodied in a particular designation from wrongful appropriation by others. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918). Because there are "fundamental differences between copyright law and trademark law," *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984), to substitute copyright concepts of "substantial similarity" or "bodily appropriation" for appropriate marketplace factors geared to determine likely confusion, as the Ninth and Second Circuits have done in cases of reverse passing off involving credits applied to creative works, is error.

At the same time, the petitioner also misunderstands the differing purposes of copyright and trademark law when it raises the specter of works enjoying "perpetual protection" beyond the term of copyright through what it sees as the "back door" of the Ninth Circuit's "bodily appropriation" concept. Petition at 17. Numerous federal courts have considered the issue of whether the expiration

of copyright or patent protection for a creative work or invention precludes the application of the Lanham Act to cases of unfair competition involving public domain works or devices. The universal consensus is that it does not, primarily because the Lanham Act, like unfair competition law generally, is aimed at preventing consumer confusion, a purpose entirely different from and not inconsistent with those underlying copyright and patent protection.

As far back as the Second Circuit's decision in *G. Ricordi v. Haendler*, 194 F.2d. 914, 916 (2d Cir. 1952), authored by Judge Learned Hand, courts have recognized that while one is entitled to reproduce the contents of formerly copyrighted works that have entered the public domain, unfair competition may result if a party goes beyond mere copying and markets the product in a confusing or misleading way. Subsequently, the Southern District of New York recognized that the expiration of copyright protection for the beloved *Peter Rabbit* children's book series did not preclude the original publisher of those books from asserting claims of trademark infringement premised on its trademark rights in eight character illustrations taken from the books:

> The fact that a copyrightable character or design has fallen into the public domain should not preclude protection under the trademark laws so long as it is shown to have acquired independent trademark significance, identifying in some way the source or sponsorship of the goods. [Citation omitted.] Because the nature of the property right conferred by copyright is significantly different from that of trademark, trademark protection should be able to co-exist, and possibly to overlap, with copyright protection without posing preemption difficulties.

Frederick Warne & Co. v. Book Sales Inc., 481 F. Supp. 1191, 1196 (S.D.N.Y. 1979); *see also Tempo Comms., Inc. v. Columbian Art Works, Inc.*, 223 U.S.P.Q. 721, 722 (N.D. Ill. 1983) (rejecting the notion that copyrightable work could not also be protected as a trademark and holding that trademark protection "does not amount to *sub rosa* perpetual patent or copyright protection"); 1 *McCarthy* §§ 6:13, 6:14, 6:31.

Other courts have ruled similarly in the patent context. The court in *In re Mogen David Wine Corp.*, 328 F.2d 925 (C.C.P.A. 1964), considered whether the existence of design patent protection for a decanter precluded the same design from being registered as a trademark on the Principal Trademark Register of the United States. The court rejected this contention, holding that:

> trademark rights, or rights under the law of unfair competition, which happen to continue beyond the expiration of a design patent, do not 'extend' the patent monopoly. They exist independently of it, under different law and for different reasons. The termination of either has no legal effect on the continuance of the other. When the patent monopoly ends, it ends. The trademark rights do not extend it. We know of no provision of patent law, statutory or otherwise, that guarantees to anyone an absolute right to copy the subject matter of any expired patent.

Id. at 930[12]; *see also Kohler Co. v. Moen Inc.*, 12 F.3d 632, 636-43 (7th Cir. 1993) (rejecting argument that Constitution and

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[12] This Court's subsequent decision in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), does not alter the *Mogen David* analysis. In *TrafFix*, the Court held that the issuance of a *utility*

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Patent Act precluded any item capable of being patented from qualifying for trademark protection); 1 *McCarthy*, § 6:12.

This line of decisions recognizes the differing purposes and policies served by patent, copyright, and trademark protection, as well as the broader protections conferred by unfair competition laws. Enforceable rights arise under the patent and copyright laws when a qualifying invention or work is created and registered. Trademark rights arise only through use in commerce. *The Trade-Mark Cases*, 100 U.S. 82, 94 (1879). The statutory prohibition against unfair competition reflected in Section 43(a) applies more generally to a range of deceptive and misleading conduct. *Two Pesos*, 505 U.S. at 767-68.

Patents and copyrights are monopolies with origins rooted in the Constitution[13] that confer upon the owner of an invention or creative work a broad right of exclusion.

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patent for various product features that were alleged to constitute protectable trade dress was strong evidence of the functionality of those features. *Id.* at 29-30. *Mogen David* was a case involving *design* patents, which are issued only to protect designs with "an aesthetically pleasing appearance that is not dictated by function alone," *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); 35 U.S.C. § 171, making them presumptively non-functional. 1 *McCarthy*, § 6:11. Similarly, *TrafFix* does not hold that the expiration of utility patent protection for a device precludes a finding of liability for unfair competition. Rather, the case recognizes that the issuance of a utility patent for a device creates a presumption of functionality, thereby making it very difficult for the device's owner to acquire trademark rights in it. *TrafFix*, 532 U.S. at 29-30.

[13] Although, as one court has noted, "the Constitution grants no patent rights, it grants only authority to Congress to enact laws." *Mine Safety Appliances Co. v. Elec. Storage Battery Co.*, 405 F.2d 901, 902 n.2 (C.C.P.A. 1969).

Sony, 464 U.S. at 433 n.13. However, these monopolies are limited in both time and scope, enforceable only for a defined statutory period against rival creations that are identical or substantially similar to the protected invention or work. *Kohler*, 12 F.3d at 637. In contrast, trademarks carry with them no blanket right of exclusion, *id.*; a trademark owner must establish a likelihood of consumer confusion (or dilution) in order to prevent another from selling his or her goods under the same or a similar designation. 1 *McCarthy* § 2.10. And, unlike the owner of a copyright or patent, the owner of a trademark must demonstrate that his or her designation, be it a name, word, symbol, design or device, broadly defined, has come to stand as an identifier of source in the mind of the consuming public symbolizing the goodwill in his or her goods or services. *Qualitex*, 514 U.S. at 162-64. In order to invoke the protections of unfair competition law codified in Section 43(a)(1)(A), some type of deceptive or misleading conduct with respect to source, origin or sponsorship must be established.

Thus, while the protections afforded by the trademark and unfair competition laws can be of unlimited duration and broadly applied, they are also subject to important limitations that do not apply in the copyright or patent contexts, where concepts of confusion, deception and source identification play no role. As long as these limitations are recognized, there is no threat to the public domain of the sort petitioner portrays, and no inconsistency between protecting the public's right to copy works that have passed into the public domain and simultaneously protecting consumers and businesses against unfair competition through deceptive and misleading conduct.

The balance between these equally important principles is reflected within the confines of trademark law

itself, which recognizes that the right to use a particular designation to identify a type of product does not immunize a party from liability for unfair competition. Generic terms are incapable of functioning as trademarks, but this does not mean that a party can evade liability for unfair competition when it uses a generic term in a manner that causes consumer confusion. *See Murphy Door Bed Co. v. Interior Sleep Systems, Inc.*, 874 F.2d 95, 102 (2d Cir. 1989) ("Because the term Murphy bed is generic, Zarcone did not engage in unfair competition by selling and advertising his products as Murphy beds; Zarcone did engage in unfair competition, however, by passing off products of his own manufacture as Murphy Co. products."); *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 581 (2d Cir. 1963) (holding "thermos" to be a generic term but affirming an injunction preventing defendant from using words "original" or "genuine" to describe its product).

Based on these authorities, there is no conflict – constitutional or otherwise – between a party's right to use materials in the public domain and the equally important right of consumers and businesses to be protected against unfair competition. Indeed, the best way for the Court to balance these two interests is to reaffirm the requirement that any claim brought under Section 43(a)(1)(A) of the Lanham Act, whether for reverse passing off, infringement or other forms of unfair competition, requires proof of likely consumer confusion with reference to appropriate marketplace factors.

IV. Section 35(a) of the Lanham Act Does Not Permit an Award of Enhanced Damages or Profits *Solely* for Purposes of Deterrence

Section 35(a) of the Lanham Act authorizes a wide range of monetary remedies for various types of Lanham

Act violations. A successful plaintiff may recover its actual damages, the defendant's profits, the costs of the action and, in exceptional circumstances, attorneys' fees. 15 U.S.C. § 1117(a). In addition, a court is free to award enhanced amounts of the plaintiff's monetary damages or the defendant's profits, with the former being capped at three times the actual amount of quantifiable damages, and the latter not capped at all. *Id.* However, with respect to these two types of enhancements, the statute states that "Such sum in either of the above circumstances shall constitute compensation and not a penalty." *Id.*

Notwithstanding the limitation on enhanced damages and profits expressly set forth in Section 35(a), the Ninth Circuit, like several other Courts of Appeal, has construed the statute to allow the recovery of enhanced damages *solely* for purposes of deterrence. *See Playboy Enters., Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1275 (9th Cir. 1982); *Gorenstein Enters. v. Quality Care-USA*, 874 F.2d 431, 436 (7th Cir. 1989). Thus, in the decision below, the Ninth Circuit found that an award of double the petitioner's profits was permissible "in order to deter future infringing conduct." Petition at 4a. No other justification for this award was advanced by the Court of Appeals.

The problem with this line of authority is that the cases ignore the statutory prohibition on awards of enhanced damages or profits as a penalty, largely for reasons of policy that have nothing to do with the text of the statute or its legislative history. *Playboy Enters.*, 692 F.2d at 1275; *Gorenstein Enters.*, 874 F.2d at 436. These decisions stand in marked contrast to those of other courts that have remained faithful to both the words and purposes of Section 35(a) by holding that deterrence alone cannot justify an award of enhanced damages or profits

under the statute. *See Alpo Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 969 (D.C. Cir. 1990) ("deterrence alone cannot justify such an award."); *Jurgens v. McKasy*, 927 F.2d 1552, 1564 (Fed. Cir. 1991) (holding that, under the Eighth Circuit's interpretation of § 35(a), deterrence alone "is an impermissible reason for increasing Lanham Act damages"). *Cf. Metric & Multistandard Components Corp. v. Metric's, Inc.*, 635 F.2d 710, 715 (8th Cir. 1990) (district court may not award increased damages as a penalty). It is the reasoning of these decisions that should be adopted in this case.

As this Court has recognized previously, any attempt to discern the meaning of a statute must begin with the assumption that its text accurately and conclusively expresses the legislative purpose, absent clear evidence to the contrary. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985); *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980); *see also Estate of Cowart v. Nicklos Drilling Co.*, 505 U.S. 469, 475 (1992) ("In a statutory construction case, the beginning point must be the language of the statute, and when a statute speaks with clarity to an issue, judicial inquiry into the statute's meaning, in all but the most extraordinary circumstance, is finished."). Here, the text of Section 35(a) unambiguously states that the only purpose for which enhanced damages or profits can be awarded is to compensate a plaintiff, not to penalize a defendant.

An award of damages aimed *solely* at deterrence, such as that affirmed below by the Ninth Circuit, by definition has no compensatory purpose. And, while there may be merit to the argument that deterring future misconduct is not the same thing as a penalty aimed at punishing past misconduct, this Court's jurisprudence clearly recognizes a

connection between the two, at least insofar as one of the purposes of a penalty or punishment is to deter the defendant and others from future repetition of past misconduct. *See Cooper Indus. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 441 (2001) (describing punitive damages as "a penalty to deter wrongful conduct"); *Int'l Bhd. of Elec. Workers v. Foust*, 442 U.S. 42, 48 (1979) ("Punitive damages 'are not compensation for injury. Instead, they are private fines levied by civil juries to punish reprehensible conduct and to deter its future occurrence.'") (quoting *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 350 (1974)). More importantly, however, the statute is clear on its face that enhanced damages must serve to *compensate*. An award of damages that is made *solely* for purposes of deterrence cannot be for purposes of compensation.

This is not to say that an award of enhanced damages made for purposes of compensation that also has an incidental deterring effect is impermissible. Any enhancement of profits or actual damages for purposes of compensation is logically likely to deter a defendant's future misconduct, but this does not make it or any other compensatory award a penalty. *See Memphis Comm. Sch. Dist. v. Stachura*, 477 U.S. 299, 306-07 (1986) (primary purpose of ordinary damages in tort cases is to provide compensation to injured plaintiffs, and that while "Deterrence is also an important purpose of this system, . . . it operates through the mechanism of damages that are *compensatory* – damages grounded in determinations of plaintiffs' actual losses".) (emphasis in original). It is only when a court entirely ignores the harm suffered by a prevailing plaintiff and awards an enhancement for the sole purpose of deterring a defendant's future misconduct that a penalty results.

The structure of the remainder of Section 35 supports the conclusion that the enhancement authorized by Section 35(a) must have some compensatory purpose. Section 35(b) allows the trebling of an award of profits or actual damages in cases where the defendant has intentionally infringed a registered trademark. 15 U.S.C. § 1117(b). Section 35(c) allows a plaintiff in an action for trademark counterfeiting to recover up to $1 million as statutory damages in lieu of actual damages or profits. 15 U.S.C. § 1117(c). A lesser range of statutory damages is also authorized in certain cases of cybersquatting under Section 35(d). 15 U.S.C. § 1117(d). The presence of such expressly punitive remedies in these portions of the same statute counsels against an interpretation of Section 35(a) that would sanction by implication awards of enhanced damages solely for purposes of deterrence. *See Bates v. United States*, 522 U.S. 23, 29 (1997) ("we ordinarily resist reading words or elements into a statute that do not appear on its face"); *see also United States v. Naftalin*, 441 U.S. 768, 773 (1979) (in response to the contention that the requirement contained in one section of a statute should be read into another, "The short answer is that Congress did not write the statute that way."); *Uniroyal Chemical Co. v. Deltech Corp.*, 160 F.3d 238, 244 n.9 (5th Cir. 1999) ("When Congress includes particular language in one statutory provision, and excludes it in another, we generally assume that Congress did so intentionally.").[14]

[14] This Court has previously used similar reasoning to construe Section 35. In *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 719-20 (1967), the Court held that attorneys' fees were not available in a Lanham Act case because the statute made no express mention of such a form of recovery. In response, the statute was

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To the extent the text and structure of Section 35 leave any doubt on the issue, the legislative history of the statute dispels it. During a hearing on the bill that would eventually become the Lanham Act, the central topic of discussion with regard to Section 35 was crafting statutory language that authorized monetary relief proportionate to the facts of a given case. *Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of the House Comm. on Patents,* 77th Cong., 1st Sess. 203-206 (1941), *reprinted in* 9 J. Gilson, *Trademark Protection and Practice*, § 35 (hereinafter *"Gilson"*). At this hearing, the statute's drafters stressed the importance of linking awards of monetary damages to the harm caused by the defendant's actions; deterrence was never mentioned as the aim of an award of enhanced damages or profits. *Id.*

Indeed, the articulated rationale for such enhancements was to account for difficulties successful plaintiffs might encounter in precisely quantifying their monetary losses or the defendant's monetary gains. As Edward Rogers, a member of the American Bar Association's trademark committee, put it:

> it frequently happens that the plaintiff has not been able to show any lessening of his business, and the defendant, either by ingenious bookkeeping or because he was a bad businessman, did not make any profits, and the result is that there is no recovery at all.

amended to allow for the recovery of attorneys' fees in exceptional cases.

> Now, there ought to be somewhere some discretion in the hands of the court under the circumstances of the particular case either to increase or to decrease the recovery; if in one case it is excessive, it ought to be decreased, and if, on the other hand, it is not enough, a reasonable sum in the way of ordinary damages ought to be awarded.

Id., *reprinted in* 9 *Gilson* at 35-13. *See Boston Prof. Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 597 F.2d 71, 77 (5th Cir. 1979) (recognizing that enhanced damages may be justified where defendant withholds or misrepresents its sales records).

Based on the text of Section 35(a), the statutory framework of which it is a part, the legislative history of the statute and the various authorities that have interpreted it correctly, an award of enhanced damages made *solely* for purposes of deterrence cannot be viewed as having any compensatory purpose. As a result, such an award is not permitted.

CONCLUSION

For the reasons set forth above, INTA urges that the Court reverse the decision of the Court of Appeals and remand the case to the District Court for further consideration on the issue of likely consumer confusion.

Respectfully submitted,

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